

# Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended.

Local Government Type <input type="checkbox"/> City <input type="checkbox"/> Township <input type="checkbox"/> Village <input checked="" type="checkbox"/> Other		Local Government Name <b>DeWitt Area Emergency Services Authority</b>	County <b>Clinton</b>
Audit Date <b>6/30/05</b>	Opinion Date <b>9/8/05</b>	Date Accountant Report Submitted to State: <b>10/31/05</b>	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- ☐ Yes ☒ No 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- ☐ Yes ☒ No 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- ☐ Yes ☒ No 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).
- ☐ Yes ☒ No 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- ☐ Yes ☒ No 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- ☐ Yes ☒ No 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.
- ☐ Yes ☒ No 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year).
- ☐ Yes ☒ No 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).
- ☐ Yes ☒ No 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

We have enclosed the following:	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	✓		
Reports on individual federal financial assistance programs (program audits).			✓
Single Audit Reports (ASLGU).			✓

Certified Public Accountant (Firm Name) <b>Abraham &amp; Gaffney, P.C.</b>			
Street Address <b>3511 Coolidge Rd., Suite 100</b>	City <b>East Lansing</b>	State <b>MI</b>	ZIP <b>48823</b>
Accountant Signature <i>Abraham &amp; Gaffney, P.C.</i>		Date <i>10/21/05</i>	

**DeWitt Area Emergency Services Authority  
DeWitt, Michigan**

**FINANCIAL STATEMENTS**

**June 30, 2005**

DeWitt Area Emergency Services Authority

DeWitt, Michigan

June 30, 2005

AUTHORITY BOARD MEMBERS

Mr. Gail Watkins	Chair
Mr. Don Potts	Vice-Chair
Mr. Bob McClean	Secretary/Treasurer
Mr. Bob Jesse	Board Member
Mr. Roy Thelen	Board Member
Mr. Jim Rundborg	Board Member

DeWitt Area Emergency Services Authority

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Principals

Dale J. Abraham, CPA  
Michael T. Gaffney, CPA  
Steven R. Kirinovic, CPA  
Aaron M. Stevens, CPA  
Eric J. Glashouwer, CPA



**ABRAHAM & GAFFNEY, P.C.**

Certified Public Accountants

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INDEPENDENT AUDITOR'S REPORT

Members of the DeWitt Area  
Emergency Services Authority  
DeWitt, Michigan

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the DeWitt Area Emergency Services Authority as of and for the year ended June 30, 2005, which collective comprise the Authority's basic financial statements as listed in the Table of Contents. These financial statements are the responsibility of the Authority's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and aggregate remaining fund information of the DeWitt Area Emergency Services Authority as of June 30, 2005, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis and budgetary comparison information, as identified in the Table of Contents, are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

*Abraham & Gaffney, P.C.*

ABRAHAM & GAFFNEY, P.C.  
Certified Public Accountants

September 8, 2005

# **DeWitt Area Emergency Services Authority**

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## **Management's Discussion and Analysis**

The DeWitt Area Emergency Services Authority, (the Authority) is in its second year of implementation of the provisions of Governmental Accounting Standards Board Statement 34 (GASB 34) with the enclosed financial statements. The intent of this standard is to provide citizens, taxpayers, customers, and investors with a better understanding of how the Authority's money and other assets are managed.

This discussion and analysis of financial performance provides a comparison overview of the Authority's financial activities for the fiscal years ended June 30, 2004 and 2005. Please read this document in conjunction with the Authority's financial statements.

### **Financial Highlights**

As discussed in further detail in this discussion and analysis, the following represents the most significant financial highlights for the year ended June 30, 2005:

- The assets of the Authority exceeded its liabilities at the close of the most recent fiscal year by \$603,576 (net assets).
- The Authority's total net assets increased by \$3,800, as the result of current year activity.
- The General Fund finished the 2004-2005 fiscal year with an increase to fund balance of \$2,047. The ending fund balance for the 2004-2005 fiscal year for the General Fund was \$198,950.

### **Using this Annual Report**

This annual report consists of a series of financial statements. The statement of net assets and the statement of activities provide information about the activities of the DeWitt Area Emergency Services Authority as a whole and present a longer-term view of the Authority's finances. This longer-term view uses the accrual basis of accounting so that it can measure the cost of providing services during the current year, and whether the taxpayers have funded the full cost of providing government services.

The fund financial statements present a short-term view; they tell us how the taxpayers' resources were spent during the year, as well as how much is available for future spending. Fund financial statements also report the operations of the DeWitt Area Emergency Services Authority in more detail than the government-wide financial statements by providing information about the Authority's most significant funds.

### **The Authority as a Whole**

The following table shows, in a condensed format, the net assets as of June 30, 2004 and 2005.

	<u>2004</u>	<u>2005</u>
<b>Assets</b>		
Current assets	\$ 138,727	\$ 188,150
Noncurrent assets	<u>470,838</u>	<u>430,116</u>
Total assets	609,565	618,266
<b>Liabilities</b>		
Current liabilities	<u>9,789</u>	<u>14,690</u>
<b>Net Assets</b>		
Invested in capital assets, Net of related debt	470,838	430,116
Unrestricted	<u>128,938</u>	<u>173,460</u>
Total net assets	<u>\$ 599,776</u>	<u>\$ 603,576</u>

## **DeWitt Area Emergency Services Authority**

### **Management's Discussion and Analysis**

The Authority's total net assets were \$603,576 at June 30, 2005. Unrestricted net assets (the part of net assets that can be used to finance day-to-day operations) were \$173,460 at the end of the fiscal year. The net asset invested in capital assets were at \$430,116.

The following table shows the changes in net assets during the current and previous year.

	<u>2004</u>	<u>2005</u>
<b>Revenue</b>		
Program revenue:		
Charges for services	\$ 70,700	\$ -
Operating grants and contributions	227,700	239,350
General revenue:		
Other revenue	<u>971</u>	<u>4,409</u>
 Total revenue	 299,371	 243,759
 <b>Program Expenses</b>		
Public safety	<u>248,852</u>	<u>239,959</u>
 <b>Change in Net Assets</b>	 <u>\$ 50,519</u>	 <u>\$ 3,800</u>

#### **Governmental Activities**

The Authority's governmental revenues totaled \$243,759 with the greatest revenue source being operating contributions from the constituent municipalities. Operating contributions from the constituent municipalities make up approximately 98.2 percent of total governmental revenue.

The Authority incurred expenses of \$239,959 during the year. As a special purpose government, all of the governmental expenses incurred are associated with the public safety function.

#### **The Authority's Funds**

The analysis of the Authority's major funds begins on page 3, following the government-wide financial statements. The fund financial statements provide detailed information about the individual funds, not the DeWitt Area Emergency Services Authority as a whole. The DeWitt Area Emergency Services Authority's Board of Trustees creates funds to help manage money for specific purposes as well as to show accountability for certain activities. The Authority's only major fund for the fiscal year ended June 30, 2005 was the General Fund.

The General Fund pays for most of the Authority's governmental services. The sole service provided during the fiscal year was emergency management, which incurred expenditures of approximately \$200,562 for the fiscal year.

#### **General Fund Budgetary Highlights**

Over the course of the fiscal year, the Authority Board made necessary budget adjustments to fund unanticipated expenditures during the year. Total expenditures and other financing uses came in \$17,688 under the budgeted appropriation.

A budget amendment was made to the transfers out line item to fund the purchase of a vehicle in the motor pool fund.

# **DeWitt Area Emergency Services Authority**

## **Management's Discussion and Analysis**

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### **Capital Asset Administration**

At the end of the fiscal year, the Authority had \$430,116 invested in emergency service vehicles (net of accumulated depreciation). The Motor Pool Fund increased the cost of capital assets with the purchase of a 2005 Ford Truck for \$19,973.

### **Contacting the Authority's Management**

This financial report is intended to provide our citizens, taxpayers, customers, and investors with a general overview of the Authority's finances and demonstrate the Authority's accountability for the money it receives. If you have questions about this report or need additional information, we welcome you to contact the City of DeWitt Treasurer, 414 East Main Street, DeWitt, MI 48820.



## **BASIC FINANCIAL STATEMENTS**

DeWitt Area Emergency Services Authority

STATEMENT OF NET ASSETS

June 30, 2005

	<u>Governmental Activities</u>
ASSETS	
Current	
Cash	\$ 188,150
Noncurrent	
Capital assets, net of accumulated depreciation	<u>430,116</u>
TOTAL ASSETS	618,266
LIABILITIES	
Current	
Accounts payable	8,086
Accrued wages	6,135
Accrued liabilities	<u>469</u>
TOTAL LIABILITIES	<u>14,690</u>
NET ASSETS	
Invested in capital assets	430,116
Unrestricted	<u>173,460</u>
TOTAL NET ASSETS	<u><u>\$ 603,576</u></u>

See accompanying notes to financial statements.

DeWitt Area Emergency Services Authority

STATEMENT OF ACTIVITIES

Year Ended June 30, 2005

Functions/Programs	Expenses	Program Revenue Operating Grants and Contributions	Net (Expense) Revenue and Changes in Net Assets
Governmental activities			
Public safety	\$ 239,959	\$ 239,350	\$ (609)
General revenues:			
Miscellaneous			4,409
CHANGE IN NET ASSETS			3,800
Net assets, beginning of year			599,776
Net assets, end of year			\$ 603,576

See accompanying notes to financial statements.

## DeWitt Area Emergency Services Authority

## GOVERNMENTAL FUNDS BALANCE SHEET

June 30, 2005

	General	Nonmajor Governmental Fund	Total Governmental Funds
<b>ASSETS</b>			
Cash	\$ 167,008	\$ 2,466	\$ 169,474
Advance to other funds	40,000	-	40,000
<b>TOTAL ASSETS</b>	<u>\$ 207,008</u>	<u>\$ 2,466</u>	<u>\$ 209,474</u>
<b>LIABILITIES AND FUND BALANCES</b>			
<b>LIABILITIES</b>			
Accounts payable	\$ 1,454	\$ -	\$ 1,454
Accrued wages	6,135	-	6,135
Accrued liabilities	469	-	469
<b>TOTAL LIABILITIES</b>	8,058	-0-	8,058
<b>FUND BALANCES</b>			
Reserved for contributors' purposes	-	2,466	2,466
Unreserved			
Undesignated	198,950	-	198,950
<b>TOTAL FUND BALANCES</b>	<u>198,950</u>	<u>2,466</u>	<u>201,416</u>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<u>\$ 207,008</u>	<u>\$ 2,466</u>	<u>\$ 209,474</u>

See accompanying notes to financial statements.

DeWitt Area Emergency Services Authority

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET  
TO THE STATEMENT OF NET ASSETS

June 30, 2005

**Fund balances - governmental funds** \$ 201,416

Amounts reported for the governmental activities in the statement of net assets are different because:

The Internal Service Fund is used by management to charge the costs of maintaining vehicles to the General Fund. The assets and liabilities of the Internal Service Fund are included in the governmental activities in the Government-wide Statement of Net Assets.

Motor pool 402,160

**Net assets of governmental activities** \$ 603,576

See accompanying notes to financial statements.

## DeWitt Area Emergency Services Authority

## Governmental Funds

## STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES

Year Ended June 30, 2005

	General	Nonmajor Governmental Fund	Total Governmental Funds
REVENUES			
Intergovernmental			
City and Townships	\$ 238,200	\$ -	\$ 238,200
Other	4,409	1,150	5,559
TOTAL REVENUES	242,609	1,150	243,759
EXPENDITURES			
Current			
Salaries and wages	65,871	-	65,871
Fringe benefits	12,549	-	12,549
Supplies	10,258	-	10,258
Contractual services	15,002	-	15,002
Telephone	1,167	-	1,167
Radio	100	-	100
Printing and publishing	683	-	683
Dues and subscriptions	190	-	190
Insurance	10,933	-	10,933
Repairs and maintenance	2,198	-	2,198
Utilities	384	-	384
Rent	12,000	-	12,000
Equipment rental	60,000	-	60,000
Training	3,811	-	3,811
Other	1,954	-	1,954
Capital outlay	3,462	-	3,462
TOTAL EXPENDITURES	200,562	-0-	200,562
EXCESS OF REVENUES OVER EXPENDITURES	42,047	1,150	43,197
OTHER FINANCING USES			
Transfer out	(40,000)	-	(40,000)
EXCESS OF REVENUES OVER EXPENDITURES AND OTHER FINANCING USES	2,047	1,150	3,197
Fund balances, beginning of year	196,903	1,316	198,219
Fund balances, end of year	\$ 198,950	\$ 2,466	\$ 201,416

See accompanying notes to financial statements.

DeWitt Area Emergency Services Authority

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCES OF THE GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES

Year Ended June 30, 2005

<b>Net change in fund balances - governmental funds</b>	<b>\$</b>	<b>3,197</b>
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Amounts reported for governmental activities in the statement of activities are different because:

The Internal Service Fund is used by management to charge the costs of maintaining vehicles to the General Fund. The net revenue from governmental activities accounted for in the Internal Service fund is:

Motor pool	<u>603</u>
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<b>Change in net assets of governmental activities</b>	<b>\$</b>	<b><u>3,800</u></b>
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See accompanying notes to financial statements.

DeWitt Area Emergency Services Authority

Proprietary Fund

STATEMENT OF NET ASSETS

June 30, 2005

	<u>Governmental Activities Internal Service</u>
ASSETS	
Current assets	
Cash	\$    18,676
Noncurrent assets	
Capital assets, net of accumulated depreciation	<u>430,116</u>
TOTAL ASSETS	448,792
LIABILITIES	
Current liabilities	
Accounts payable	6,632
Noncurrent liabilities	
Advance to other funds	<u>40,000</u>
TOTAL LIABILITIES	<u>46,632</u>
NET ASSETS	
Invested in capital assets	430,116
Unrestricted	<u>(27,956)</u>
TOTAL NET ASSETS	<u>\$    402,160</u>

See accompanying notes to financial statements.



DeWitt Area Emergency Services Authority

Proprietary Fund

STATEMENT OF REVENUES, EXPENSES, AND CHANGE IN FUND NET ASSETS

Year Ended June 30, 2005

	Governmental Activities <u>Internal Service</u>
OPERATING REVENUES	
Equipment rental	\$ 60,000
OPERATING EXPENSES	
Gas and oil	1,877
Insurance	17,609
Repairs and maintenance	14,027
Depreciation	60,695
Other	<u>5,189</u>
TOTAL OPERATING EXPENSES	<u>99,397</u>
OPERATING LOSS	(39,397)
NONOPERATING REVENUES	
Transfer in	<u>40,000</u>
CHANGE IN NET ASSETS	603
Net assets, beginning of year	<u>401,557</u>
Net assets, end of year	<u><u>\$ 402,160</u></u>

See accompanying notes to financial statements.

DeWitt Area Emergency Services Authority

Proprietary Fund

STATEMENT OF CASH FLOWS

Year Ended June 30, 2005

	Governmental Activities Internal Service
CASH FLOWS FROM OPERATING ACTIVITIES	
Cash receipts from other funds	\$ 60,000
Cash paid to suppliers	(32,507)
NET CASH PROVIDED BY OPERATING ACTIVITIES	27,493
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Capital acquisitions	(19,973)
Transfer in	40,000
Payment on advances	(40,000)
NET CASH USED BY CAPITAL AND RELATED FINANCING ACTIVITIES	(19,973)
NET INCREASE IN CASH	7,520
Cash, beginning of year	11,156
Cash, end of year	\$ 18,676
Reconciliation of operating loss to net cash provided by operating activities	
Operating loss	\$ (39,397)
Adjustments to reconcile operating loss to net cash provided by operating activities	
Depreciation	60,695
Increase in accounts payable	6,195
NET CASH PROVIDED BY OPERATING ACTIVITIES	\$ 27,493

See accompanying notes to financial statements.

DeWitt Area Emergency Services Authority

NOTES TO FINANCIAL STATEMENTS

June 30, 2005

**NOTE A: DESCRIPTION OF EMERGENCY SERVICES AUTHORITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The DeWitt Area Emergency Services Authority was created in 2001 by a joint venture agreement between the Townships of Olive and Riley and the City of DeWitt. Each municipality appoints two (2) members to the Board. The Fire Chief oversees the day-to-day operations of the Authority.

The Authority has no stockholders and all monies received are to be used for certain specified purposes in accordance with Public Act 7 and the joint venture agreement between the constituent municipalities.

Each municipality is required to contribute quarterly to the annual budget of the Authority based on an agreed upon funding formula. The total budget is spread to the three (3) municipalities based on weighted averages of the following: State Equalized Value, Population, Occupied Households, and number of runs within each unit's boundaries. Other responsibilities, including procedures for termination of services, are explicitly detailed in the joint venture agreement.

1. Reporting Entity

The accompanying financial statements are exclusive presentations of the financial condition and results of operations of the DeWitt Area Emergency Services Authority. The DeWitt Area Emergency Services Authority is considered a "joint venture" of the constituent municipalities.

2. Basis of Presentation

GOVERNMENT-WIDE FINANCIAL STATEMENTS

The statement of net assets and the statement of activities (the government-wide statements) present information for the government as a whole. All non-fiduciary activities of the primary government are included (i.e., fiduciary fund activities are not included in the government-wide statements). Interfund activity has been eliminated in the preparation of the government-wide financial statements.

The statement of activities presents the direct functional expenses of the government and the program revenues that support them. Direct expenses are specifically associated with a service, program, or department and are therefore clearly identifiable to a particular function. Program revenues are associated with specific functions and include charges to recipients of goods or services and grants and contributions that are restricted to meeting the operational or capital requirements of that function. Revenues that are not required to be presented as program revenues are general revenues. This includes interest, and other general revenues and shows how governmental functions are either self-financing or supported by general revenues.

FUND FINANCIAL STATEMENTS

The fund financial statements present the Authority's individual major fund and aggregated nonmajor funds. Separate financial statements are provided for governmental funds and proprietary funds.

The major fund of the Authority is:

- a. The General Fund is the used to account for all financial resources to be used for fire protection services provided to each participating municipality.

3. Measurement Focus

The government-wide and proprietary fund financial statements are presented using the economic resources measurement focus, similar to that used by business enterprises or not-for-profit organizations. Because another measurement focus is used in the governmental fund financial statements, reconciliations to the government-wide statements are provided that explain the differences in detail.

NOTES TO FINANCIAL STATEMENTS

June 30, 2005

**NOTE A: DESCRIPTION OF EMERGENCY SERVICES AUTHORITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

3. Measurement Focus - continued

All governmental funds are presented using the current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets.

4. Basis of Accounting

Basis of accounting refers to when revenues and expenditures/expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made regardless of the measurement focus applied.

All governmental funds are accounted for using the modified accrual basis of accounting. Under this method, revenues are recognized when they become susceptible to accrual (when they become both "measurable" and "available to finance expenditures of the current period"). The length of time used for "available" for purposes of revenue recognition in the governmental fund financial statements is 60 days. Revenues that are considered measurable but not available are recorded as a receivable and deferred revenue. Significant revenues susceptible to accrual are property taxes, special assessments, and certain intergovernmental revenues. Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred, except for interest on long-term debt which is recorded when due.

All proprietary funds are accounted for using the accrual basis of accounting. Their revenues are recognized when they are earned, and their expenses are recognized when they are incurred.

Private-sector standards of accounting and financial reporting issued to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The Authority has elected not to follow subsequent private-sector guidance.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues are charges to customers for sales and services. Operating expenses include the costs of sales and services, administrative expenses, and other costs of running the activity. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses. If/when both restricted and unrestricted resources are available for use, it is the Authority's policy to use restricted resources first, then unrestricted resources as they are needed.

5. Capital Assets

Capital assets include vehicles and are recorded (net of accumulated depreciation, if applicable) in the government-wide financial statements under the governmental activities. Capital assets are those with an initial individual cost of \$3,500 or more and an estimated useful life of more than one year. Capital assets are not recorded in the governmental funds. Instead, capital acquisition and construction are reflected as expenditures in governmental funds, and the related assets are reported in the government-wide financial statements. All purchased capital assets are valued at cost where historical records are available and at an estimated historical cost where no historical records exist. Donated capital assets are valued at their estimated fair market value on the date received.

NOTES TO FINANCIAL STATEMENTS

June 30, 2005

**NOTE A: DESCRIPTION OF EMERGENCY SERVICES AUTHORITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

5. Capital Assets - continued

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Depreciation is computed using the straight-line method over the following useful lives:

Vehicles

5 - 10 years

6. Advances to Other Funds

Long-term advances from one fund to other funds are made to finance capital acquisitions.

7. Interfund Transactions

During the course of normal operations, the Authority has numerous transactions between funds, including expenditures and transfers of resources to provide services. The accompanying financial statements generally reflect such transactions as transfers. Transfers between governmental or proprietary funds are netted as part of the reconciliation to the government-wide financial statements.

8. Comparative Data

Comparative data for the prior year has not been presented in the accompanying financial statements since their inclusion would make the statements unduly complex and difficult to read.

9. Budgets and Budgetary Accounting

The General Fund budget shown in the financial statements was prepared on a basis not significantly different than the basis used to reflect actual results.

The Authority follows these procedures in establishing the budgetary data reflected in the financial statements:

- a. Prior to July 1, the budget is legally adopted on a fund level through passage of a Board resolution. After the budget is adopted all transfers of budgeted amounts between activities, or any revisions that alter the total expenditures of the fund or activity must be approved by the Board.
- b. Formal budgetary integration is employed as a management control device during the year.
- c. The Board does not employ encumbrance accounting as an extension of formal budgetary integration. Appropriations unused at June 30 are not carried forward to the following fiscal year.
- d. Budgeted amounts are reported as originally adopted or amended by the Board during the year. Individual amendments were appropriately approved by the Board as required.

**NOTE B: CASH**

DeWitt Area Emergency Services Authority's deposits consist of checking accounts, which are reported as cash on the financial statements.

In accordance with Michigan Compiled Laws, the DeWitt Area Emergency Services Authority is authorized to invest in the following investment vehicles:

1. Bonds, securities, and other obligations of the United States or an agency or instrumentality of the United States.

DeWitt Area Emergency Services Authority

NOTES TO FINANCIAL STATEMENTS

June 30, 2005

**NOTE B: CASH - CONTINUED**

2. Certificates of deposit, savings accounts, deposit accounts, or depository receipts of a bank which is a member of the Federal Deposit Insurance Corporation (FDIC) or a savings and loan association which is a member of the Federal Savings and Loan Insurance Corporation (FSLIC) or a credit union which is insured by the National Credit Union Administration, but only if the bank, savings and loan association, or credit union is eligible to be a depository of surplus funds belonging to the State under Section 5 or 6 of Act No. 105 of the Public Acts of 1855, as amended, being Section 21.145 and 21.146 of the Michigan Compiled Laws.
3. Commercial paper rated at the time of purchase within the three (3) highest classifications established by not less than two (2) standard rating services and which matures not more than 270 days after the date of purchase.
4. The United States government or Federal agency obligations repurchase agreements.
5. Bankers acceptances of United States banks.
6. Mutual funds composed of investment vehicles, which are legal for direct investment by local units of government in Michigan.

Federal Deposit Insurance Corporation (FDIC) regulations provide that deposits of governmental units are to be separately insured for the amount of \$100,000 for deposits in an insured bank for savings deposits and \$100,000 for demand deposits. Furthermore, if specific deposits are regulated by statute or bond indenture, these specific deposits are to be separately insured for the amount of \$100,000. Michigan Compiled Laws allow for collateralization of government deposits if the assets for pledging are acceptable to the State Treasurer under Section 3 of 1855 PA 105, MCL 21.143, to secure deposits of State surplus funds, securities, issued by the Federal Loan Mortgage Corporation, Federal National Mortgage Association, or Government National Mortgage Association.

Deposits of the DeWitt Area Emergency Services Authority are at federally insured banks located in the State of Michigan with all accounts maintained in the name of the DeWitt Area Emergency Services Authority.

Deposits

There is a custodial credit risk as it relates to deposits. In the case of deposits, this is the risk that in the event of a bank failure, the District's deposits may not be returned to it. As of June 30, 2005, the carrying amount and bank balance for the checking accounts as reported on the financial statements were \$188,150 and \$190,544, respectively. As of June 30, 2005, the Authority's accounts were insured by the FDIC for \$100,000 and the amount of \$90,544 was uninsured.

**NOTE C: CAPITAL ASSETS**

Capital asset activity for the year ended June 30, 2005 was as follows:

	Balance <u>July 1, 2004</u>	<u>Additions</u>	<u>Deletions</u>	Balance <u>June 30, 2005</u>
Governmental activities				
Vehicles	\$ 946,268	\$ 19,973	\$ -	\$ 966,241
Less accumulated depreciation for:				
Vehicles	( 475,430 )	( 60,695 )	( - )	( 536,125 )
Capital assets, net	<u>\$ 470,838</u>	<u>\$( 40,722 )</u>	<u>\$ -0-</u>	<u>\$ 430,116</u>

DeWitt Area Emergency Services Authority

NOTES TO FINANCIAL STATEMENTS

June 30, 2005

**NOTE D: ADVANCES RECEIVABLE AND PAYABLE**

The following schedule details advances receivable and payable between the General Fund and the Internal Service (Motor Pool) Fund at June 30, 2005:

Advance from General Fund to Internal Service Fund	\$ <u>40,000</u>
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**NOTE E: INTERFUND TRANSFERS**

Permanent reallocation of resources between funds of the reporting entity is classified as interfund transfers. For the purpose of the statement of activities, all interfund transfers between individual governmental funds have been eliminated.

Transfers to Internal Service Fund from: General Fund	\$ <u>40,000</u>
--	------------------

**NOTE F: RISK MANAGEMENT**

The Authority is exposed to various risks of loss including accidental death, dismemberment, disability, medical expense benefit; errors and omissions; blanket accident; firefighter accident; and workers' compensation for which the Authority carries commercial insurance.

**NOTE G: RELATED PARTY NON-CANCELABLE OPERATING LEASE**

The DeWitt Area Emergency Services Authority has entered into a ten year, non-cancelable long-term lease with the City of DeWitt, a related party organization, for the use of the fire station. The total rental payments made to the City of DeWitt for the year ended June 30, 2005, were \$12,000. Future minimum payments are as follows:

<u>Fire Station</u>	
2006	\$ 12,000
2007	12,000
2008	12,000
2009	12,000
2010	12,000
2011 and thereafter	<u>18,000</u>
 TOTAL PAYMENTS	 \$ <u>78,000</u>

**NOTE H: FUND EQUITY RESERVES**

Reserved fund balance is used to earmark a portion of fund equity to indicate that it is not appropriate for expenditure or has been legally segregated for a specific use.

The following is the fund balance reserve as of June 30, 2005:

Nonmajor governmental funds Reserved for contributors' purposes	\$ <u>2,466</u>
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## **REQUIRED SUPPLEMENTARY INFORMATION**



## DeWitt Area Emergency Services Authority

## General Fund

## BUDGETARY COMPARISON SCHEDULE

Year Ended June 30, 2005

	Original Budget	Amended Budget	Actual	Variance With Amended Budget Positive (Negative)
REVENUES				
Intergovernmental				
City and Townships	\$ 238,200	\$ 238,200	\$ 238,200	\$ -0-
Other	400	5,200	4,409	(791)
TOTAL REVENUES	238,600	243,400	242,609	(791)
EXPENDITURES				
Current				
Salaries and wages	86,200	72,100	65,871	6,229
Fringe benefits	15,600	13,600	12,549	1,051
Supplies	11,000	12,000	10,258	1,742
Contractual services	15,700	16,550	15,002	1,548
Telephone	1,300	1,300	1,167	133
Radio	800	200	100	100
Conference and travel	500	4,000	3,211	789
Printing and publishing	2,000	1,600	683	917
Dues and subscriptions	500	200	190	10
Insurance	12,500	11,800	10,933	867
Repairs and maintenance	5,000	2,300	2,198	102
Legal Fees	2,000	1,500	384	1,116
Rent	12,000	12,000	12,000	-0-
Equipment rental	60,000	60,000	60,000	-0-
Training	500	600	600	-0-
Other	5,000	2,000	1,954	46
Capital outlay	8,000	6,500	3,462	3,038
TOTAL EXPENDITURES	238,600	218,250	200,562	17,688
EXCESS OF REVENUES OVER EXPENDITURES	-0-	25,150	42,047	16,897
OTHER FINANCING USES				
Transfer out	-	(40,000)	(40,000)	-0-
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES	-0-	(14,850)	2,047	16,897
Fund balance, beginning of year	196,903	196,903	196,903	-0-
Fund balance, end of year	\$ 196,903	\$ 182,053	\$ 198,950	\$ 16,897

Principals

Dale J. Abraham, CPA  
Michael T. Gaffney, CPA  
Steven R. Kirinovic, CPA  
Aaron M. Stevens, CPA  
Eric J. Glashouwer, CPA



**ABRAHAM & GAFFNEY, P.C.**

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MANAGEMENT LETTER

To the Board of Directors  
DeWitt Area Emergency Services Authority  
DeWitt, Michigan

As you know, we have recently completed our audit of the records of DeWitt Area Emergency Services Authority as of and for the year ended June 30, 2005. In connection with the audit, we feel that a certain change in your accounting and administrative procedures would be helpful in improving management's control and the operational efficiency of the accounting and administrative functions. This suggestion is a result of our evaluation of the internal control structure and our discussions with management.

The Board should amend the Authority's investment policy to address the disclosure requirements of GASB Statement No. 40.

During the course of our audit and through discussions with management, it was noted that the Authority has not amended their investment policy to addresses the reporting requirements of GASB Statement No. 40.

Deposit and investment resources often represent significant assets of the Authority's funds. These resources are necessary for the delivery of the Authority's services and programs. Effective for the year ended June 30, 2005, GASB Statement No. 40 is designed to inform financial statement users about deposit and investment risks that could affect the Authority's ability to provide services and meet its obligations as they become due.

We suggest the Board review their current investment policy and make the necessary amendments to address custodial credit risk, concentration of credit risk, interest rate risk, and foreign currency risk. Such policies are required to be disclosed in the notes to the Authority's financial statements by GASB Statement No. 40.

This condition was considered in determining the nature, timing, and extent of the audit tests to be applied in our audit of the basic financial statements, and this report does not affect our report on the basic financial statements dated September 8, 2005.

This report is intended solely for the information and use of the management of the DeWitt Area Emergency Services Authority, and should not be used for any other purpose.

We wish to express our appreciation for the courtesy and cooperation extended to us during our audit. We are available to discuss any or all of these suggestions with you and to provide assistance in the implementation of improvements.

*Abraham & Gaffney, P.C.*

ABRAHAM & GAFFNEY, P.C.  
Certified Public Accountants

September 8, 2005